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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
March 1990

Dr. Donald Ratajczak, Director
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CONSTRUCTION PUTS STRENGTH INTO FIRST QUARTER GNP

Slumping auto production in January, when domestic cars were assembled at a 4.1 million annual rate has put a substantial dent into business inventories. Even with a substantial acceleration in inventory prices because of the surge in prices of energy materials, business inventories apparently are slowing to only a 1.3% annualized rate of expansion as compared with 5.7% during the fall. Thus, inventory accumulations will be anemic during the first quarter. (However, auto assemblies already had rebounded to 5.8 million in February and should be well above 6 million during March). Partially offsetting this weakness is a modest acceleration in real consumption expenditures from an annualized gain of only 0.5% during the fourth quarter to 1.4% in the winter. A rebound in aircraft production also is partially responsible for a gain of 21.2% according to our projections for nondefense capital shipments as opposed to a 10.3% decline in the previous three months. Some of this is offset by a slump in defense shipments, as the military shrinking already had begun in earnest before Eastern Europe changed our perceptions about defense needs. Trade balances also apparently improved during the first quarter, although only one month's worth of data currently is available to make those assessments. When the inventory adjustments, slight acceleration in consumption, surge in capital shipments, but slump in defense shipments all are combined, the first quarter looks a lot like the fourth quarter in terms of total output.

A minor addition to this otherwise lackluster performance is the beginning of Census hiring for the enumeration of our population. That project will cost $1.2 billion dollars and require 440,000 additional people, many of them for only a short period during the winter and spring. Annualized, this will add as much to government spending as defense is subtracting during the first quarter. A further burst of government spending will be recording during the spring before many of the enumerators are let go, causing a decline in government spending during the summer. However, this Census impact will do more to distort payroll employment than actual GNP.

However, the remaining sector, construction is not behaving normally during this springlike winter. After declining slightly during the fall, construction will add about $10 billion to real GNP in the winter before a return to normal subtracts that amount from economic activity in the spring. The result is a gain of 2.1% for first quarter GNP following a sluggish 1.1% gain during the fourth quarter.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

Of course, construction should return to more normal behavior in the spring. That means the $10 billion winter gain will be reversed. As a result, an otherwise relatively robust second quarter should be held to a sluggish gain, currently projected to be 1.8%. With construction neither rising nor falling during the summer, economic growth should approach a normal 2.5%.

By the time the construction distortions run their course, the strong dollar, especially against the Japanese yen, should begin to exert slowing gains for net exports after adjustment for inflation. Also, the surge in commercial aircraft activity should slow to more ordinary gains. Of course, if budgetary stimulus or monetary stimulus was forthcoming, these forces exerting a slowing influence upon the economy would be offset. That is not expected.

Defense shipments may rebound slightly during the spring and summer, but they are expected to again trend downward thereafter. No tax initiatives or other budgetary stimulus is expected to replace the defense slowdown. Indeed, the structural deficit probably will decline by $15 billion during the latter half of this year.

Although monetary policy could change quickly, the Federal Reserve appears to be restraining the growth of monetary aggregates to prevent further acceleration of inflationary pressures. The winter freeze clearly added to price concerns, with the CPI increasing at an annualized 8.3% during the winter. Our estimates of the GNP deflator reveal a gain of 5.6%. This surge in nominal GNP growth from 4.6% during the fall to a projected 7.8% winter gain has not been accommodated by the Fed. Although the monetary base surged by 8.1%, this was necessary to meet the increased demand for currency because of higher gasoline prices and an increased foreign demand for the currency. M1 and M2 both slowed slightly from their previous quarter. Further modest slowing currently is expected during the spring. As a result, interest rates will remain high, only falling after money demand eases substantially late in the spring. This will not be sufficient ease to prevent economic activity from again slowing sharply by the end of this year.

However, the Federal Reserve might forestall this outcome by easing rates sooner. After all, a temporary supply shock should only temporarily raise inflation rates. As the economy demonstrated last year, a drought will raise prices, but if no monetary accommodation of that drought develops, prices then will grow slower than normal until observed inflation once again is joined with underlying inflation. Thus, a similar slowing in inflationary pressures should be observed this year.

Another argument for the Federal Reserve easing sooner is the current weakness of the yen. Such currency movements clearly have been de-stabilizing in Japan and could become worrisome in the United States, both because Japanese producers are becoming more competitive in our country and because financial instability in Japan could begin to reduce demand for American assets by Japanese investors. (As the total size of their portfolios shrink, the American exposure of that portfolio will grow. Initially, this diversity will limit the financial weakness Japan is suffering because of their stock and bond market declines. Ultimately, however, they will restore a more optimum mix of assets, which would lead to some liquidation of American positions). As the Japanese attempt to raise interest rates has unsettled their financial markets without strengthening their currency, it may be necessary for interest rates to fall in the United States to restore more orderly financial markets in Japan.

Excluding a co-ordinated movement of interest rates to shore up the yen, monetary policy will not support economic growth in the latter months of this year or early in 1991.

Monthly Statistical Highlights

	MAR 1990	APRIL 1990	MAY 1990
Payroll Employment	+279,000	+159,000	-34,000
Index of Hours Worked	+0.2%	-0.1%	+0.1%
Household Employment	+137,000	+96,000	-6,000
Civilian Unemployment Rate	5.2%	5.2%	5.3%
Personal Income	+0.6%	+0.5%	+0.3%
Savings Rate	6.3%	6.3%	6.0%
Personal Consumption	-0.0%	+0.5%	+0.5%
Retail Sales	-0.1%	+0.6%	+0.5%
Auto Sales	9.1*	9.3*	9.4*
Housing Starts	-6.0%	-3.9%	-0.7%
Housing Permits	+1.1%	-3.5%	-2.6%
Construction Expenditures	-1.2%	-1.4%	-0.0%
Business Inventories	+0.3%	+0.4%	+0.5%
Orders for Durable Goods	-0.4%	+3.3%	+0.9%
Orders - Nondefense Capital Goods	-1.5%	+8.8%	+2.4%
Industrial Production	+0.3%	+0.2%	+0.2%
CPI	+0.3%	+0.2%	+0.3%
PPI	+0.2%	-0.2%	+0.2%
Consumption Deflator	+0.3%	+0.1%	+0.3%
Leading Indicators	+0.4%	+0.1%	-0.1%
Currency Index	+1.3%	+1.0%	-0.3%
Equity Index	+0.5%	-4.2%	+5.2%
Real GNP (annual rate)	+1.4%	+1.1%	+2.3%
M1 (annual rate)	+4.6%	+3.8%	+3.6%
M2 (annual rate)	+5.5%	+5.3%	+6.6%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Payroll employment will be distorted by the temporary hiring of 440,000 census enumerators and evaluators beginning in March and April. Then, layoffs will occur during the summer months if previous census patterns are followed. Many of these part-timers will be moonlighting or will not consider themselves as holding jobs. As a result, the growing discrepancy between payroll and household estimates of employment should persist. Also, some strikes in transportation services and medical services will be distorting the employment measures as well. Construction workers also appear to have been overcounted on the payrolls during the first quarter. Thus, a dramatic discrepancy between a 3.1% annualized gain for payrolls and a 0.9% gain for household employment raises doubts about the underlying strength of current economic conditions. The hours worked index is consistent with the payroll gains, and clearly suggests a rebound in activity during the first quarter.

At the same time, the hourly wage has actually slowed, although minimum wage legislation should cause an acceleration in that index during the spring. Tight labor market conditions and minimum wage legislation should permit slow upward drift in hourly earnings growth rates during the year.

PERSONAL INCOME AND OUTLAYS-Despite an increase in social security tax rates, personal income has accelerated during the first quarter. The gains have been in property income and in proprietors' income, as both farm subsidies and nonfarm earnings have accelerated. Also, stronger cost of living gains caused transfer payments to temporarily intensify. As the index of hours worked slows, wage and income gains also should slow. In the meantime, a modest decline in tax liabilities as tax brackets are adjusted downward early in the year has caused a spurt in disposable income. This has allowed an increase in savings despite a surge in prices following the winter freeze. Savings are expected to continue rising during the year, although some declines during the summer currently are projected as end of model year incentives again entice consumers to buy automobiles. (Of course, no major catastrophes also has led to a substantial one-time gain in rental income during the winter. More moderate changes in rental incomes are expected through the year).

As incentives again were put on autos, sales surged in January and then slowly subsided. With few incentives during the second quarter, sales again should sag. Model year pricing again should create a surge and sag in auto sales during the summer and fall, as consumers wait for the incentives. Nevertheless, the replacement demand for autos suggests that the bottom of the auto slump probably was reached last fall.

Good weather also aided the sales of home improvement goods and furnishings. This is expected to be reversed modestly during the spring, although our projections currently suggest that the slump in nonauto durables probably is over. A quick glance at the 12% annualized increase in nondurable prices during the winter shows that consumers stopped buying expensive vegetables and tried to reduce gasoline consumption. Although nondurable sales were up 6.9%, this was far less than the increase in prices, suggesting that food and energy may have become more price elastic. If so, greater restraint upon food and energy prices may be forthcoming than currently projected. Of course, the mild winter following a cold December led to slower gains in service expenditures than in the fall. Reduced volume on the stock exchanges also is restraining financial service expenditures. As prices moderate, real consumer spending should intensify, except in those areas where weather or auto pricing is distorting spending patterns.

CONSTRUCTION-Although the February construction expenditures arrived too late to be included in our tables, they showed further extension of the strong growth in January. Residential construction showed the smallest gains, at 1.8%, but a surge in nonresidential private construction and continued gains in public construction suggested that the mild weather continued to aid construction activity. Construction prices are beginning to intensify, but a return to more moderate activity relative to seasonal expectations during the spring should restrain further extensive price increases. However, environmental constraints are distorting lumber prices, which could lead to construction inflation later this year.

Single family housing starts continued to remain surprisingly strong despite the absence of any sales. After falling nearly 8% both in December and again in January, sales of new single family homes increased less than 2% in February. Sales for the quarter should be unchanged from the fourth quarter. Moreover,

previously owned homes are showing modest sales declines. The recent rise in mortgage rates certainly does not raise the underlying demand for housing. Therefore, the 64% annualized gain in single family starts simply is unjustified. With bank examiners tightening their definitions of what constitutes a bad loan, housing should weaken substantially during the spring and summer.

Of course, the surge in permits was caused by a change in regulations concerning handicap access. Most of those permits will be used as the year progresses. Thus, housing should not respond to current permit data until that backlog of unused permits is exhausted.

BUSINESS ACTIVITY-The absence of substantial orders for commercial aircraft and some weakness in metals and machinery orders did not offset gains for telecommunications equipment and autos in February. Some commercial aircraft orders will again be flowing in April and May. However, orders fell below shipments, suggesting the potential of greater caution in capital spending as the year progresses. Offsetting, this sluggishness, however, should be rising orders for computers as new technology becomes available. On balance, durable goods activity should continue to expand slowly during the year.

A rebound in inventory accumulations is expected in the spring and summer. This will add substantially to industrial activity until export growth begins subsiding in the fall. Few industries are facing capacity constraints while capacity expansion in some industries, such as paper, chemicals and plastics, should cause a slight acceleration in the growth of capacity in the latter part of the year. At these capacity levels, industrial inflation should not persist, even though some evidence of acceleration has occurred during the past month.

PRICES-The noteworthy surge in prices following the winter freeze already has been discussed. Less than normal price increases should be observed during the spring before prices return to their underlying patterns in the second half of the year. The price increases for consumer durables was caused by composition shifts during the first quarter. The plunging prices of precious metals may slow that durables deflator in the second quarter by more than currently projected. Of course, the year over year comparisons are misleading here as the drought impact on prices was still important in 1989 while the winter surge should be over after March of 1990. Inflation is not slowing, but neither is it intensifying once the winter price surge is factored out.

MISCELLANEOUS-Of course, the leading indicators are again biased in February because of the plunge of the building permits following the rush to get permits in January prior to the handicap access regulation. However, seven of the eleven indicators for February were down, suggesting that some weakening of economic conditions might develop in the months ahead.

Although the merchandise trade balances deteriorated in January, they were restrained by a surge to 296 million barrels of imported oil at a price in excess of $20. Although our oil imports now are in excess of 9 million per day, or 270 million per month, the January figure was an attempt to rapidly replace depleted inventories. Those inventories are in balance and no further import surge is needed. Further improvement is projected in the trade deficit because the dollar has not been rallying against all currencies. By year-end the adverse dollar effects from the second quarter gains should be offset by growing foreign markets in Europe. Thus, further improvements in trade balances are projected. The deficit for 1990 should be slightly over $105 billion.

After-tax profits rose by 2.8% during the fourth quarter, but these gains were caused by reduced losses at insurance companies and a sharp increase in foreign earnings. Operating profits adjusted for tax liabilities continued to fall sharply. This should not be surprising with nominal GNP growing 4.6% and wages and salaries expanding by 7.0%. Sharp gains in petroleum company earnings and further improvement by insurance companies during the first quarter should finally generate some profit gains. Then weaker construction activity and continuing bank problems again should create declines in the spring. Profits could temporarily spurt during the summer before slower growth again restrains profits by year-end.

FINANCIAL MARKETS

Was the surge in long-term interest rates the result of rising interest rates abroad, a shift in Federal Reserve policy, or a change in domestic credit market conditions? The fact that short-term interest rates continued to fall during the first quarter suggests the Federal Reserve was not a major factor in interest rate movements, except to the extent that they enforced an interest rate target even as conditions were changing at home and abroad. (The fact that commercial paper fell less than federal funds suggests that interest rate pressures were upward, but were slightly restrained by the Federal Reserve.) As, on balance, the dollar fell in value as rates were rising, changing monetary policy abroad could account for some of the domestic rise in rates. However, the currency index is now rising. This suggests that American assets may be increasing in relative value, which could actually lead to falling interest rates at home even if they continue to rise abroad.

Our sector analysis shows a substantial increase in household savings but a large increase in housing investment as well. If the housing activity is projected to the household, this means that little interest rate pressure was generated by household behavior. During the spring, the household savings rate should rise while housing investment should fall. Thus, households should be encouraging lower rates until activity is reversed in the summer. By the fall, however, households again will be providing substantial funds to the credit markets.

A slowing or inventory investment and rising profits may have slightly eased corporate borrowing needs during the winter. A rebound in inventory investment, stronger capital spending and some profit weakness should add to borrowing pressures in the spring. Strong profit growth in the summer should again reduce corporate borrowing needs before cash flow problems again surface in the fall. The result is that corporate flows of funds should offset household flows through the year.

Low tax collections have increased government borrowing early this year. Also, larger losses than expected require more borrowing by Refcorp than expected. Thus, the government supply of bonds has been pushing interest rates upward. One should not be surprised to discover that government securities have performed most poorly in the past few months.

Increased attractiveness for the dollar could lower interest rates in the spring and early summer. However, the dollar then should weaken before the end of the year, as trade deficits remain large and the weakness of other currencies run their courses. Thus, reduced support for American credit markets by foreign investors is expected through the year.

When these forces are summarized, a slight decline in interest rates is possible during the spring, but rates then will again reverse direction during the summer. Rising rates, especially for short-term rates as the Federal Reserve pursues inflation restraint in an era of a falling dollar late this year, should then develop.

EQUITY MARKETS-A market valuation formula has been embedded in our projections beginning this month. According to that formula, the fourth quarter gain in equity values, as meager as it was, was the result of offsetting forces. A falling dollar and declining profits reduced the attractiveness for equities. However, falling interest rates were sufficient to offset those negative factors. If our profits projections hold for the first quarter, the market decline has been orderly. However, a sharp decline is expected in April before moderating interest rates stabilize the market later in the spring. An old-fashioned summer rally then seems likely despite erosion of support by foreign investors.

This same valuation exercise was used on the Japanese stock market with surprising results. Although corporate profits are continuing to grow there, rising wage pressures and the yen's decline upon the cost of raw materials has sharply reduced profit gains. This leads to a smaller price earnings ratio than stronger earnings growth could support. Also, Japanese interest rates have increased sharply while their currency has fallen sharply in value. Assuming long-term government bonds continue to yield 7%, these factors suggest that the Japanese market will fall to the vicinity of 26,000. (These calculations were done about two months ago, before the market collapse, and predicted a fall below 30,000 at that time. The lower current estimate is because the yen has deteriorated further and interest rates have continued to rise.)

Of course, rising interest rates by year-end along with the return of sluggish growth and deteriorating profits should cause a new period of weakness in equity values. Except for an April slump and a summer rally, the stock market should be uninteresting this year.

Of course, some sectors always perform away from the market. Those export oriented industries poised to enter a growing European market should do well. Some regional financial banks that currently are being tarred with the same brush as trouble banks could rebound. Consumer related issues in the southwest could rise as that region recovers. Energy service companies and energy related stocks should shine. Technology stocks should rebound as orders rise in that sector of capital expenditures. Some medical service activities also should do well. Even a modest rebound in the cyclical and transportation issues is possible during the spring, although they will again be weakening late this year. Thus, selection rather than asset allocation will provide the best returns for investors in the 1990 equity markets. Global stocks and gold stocks probably should be shunned until the dollar begins drifting downward later this year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	109171		129.2		117585		5.3	9.78	
November	109452	1.8	129.1	0.5	117836	1.0	5.3	9.78	3.8
December	109570		128.8		117888		5.3	9.83	
January 1990	109902		129.4		117863		5.3	9.82	
February	110274	3.1	130.3	3.3	118035	0.9	5.3	9.87	3.0
March	110553 *		130.6 *		118172 *		5.2 *	9.92 *	
April	110712		130.5		118268		5.2	9.94	
May	110678	1.6	130.6	1.4	118262	1.1	5.3	9.98	4.4
June	110693		130.6		118474		5.3	10.01	
July	110884		130.8		118767		5.2	10.05	
August	111073	1.3	131.0	1.2	118902	1.9	5.2	10.09	4.6
September	111227		131.1		118994		5.3	10.13	
October	111416		131.3		119142		5.3	10.16	
November	111568	1.8	131.5	1.5	119194	1.1	5.4	10.20	4.4
December	111712		131.6		119268		5.5	10.24	
January 1991	111905		131.8		119464		5.5	10.28	
February	112089	1.9	131.9	1.4	119615	1.4	5.5	10.32	4.7
March	112277		132.1		119806		5.5	10.35	
Chng Mar(91)/Mar(90)		1.6		1.1		1.4			4.3
Chng Mar(90)/Mar(89)		2.5		2.4		1.0			3.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.500		2.693		207.9		3.840		3.632	
November	4.542	7.3	2.695	7.0	228.7	50.3	3.878	6.9	3.650	4.9
December	4.564		2.712		211.5		3.896		3.684	
January 1990	4.595		2.725		206.3		3.928		3.722	
February	4.636	8.8	2.749	7.2	224.7	22.1	3.963	9.4	3.738	8.7
March	4.665 *		2.768 *		250.3 *		3.988 *		3.738 *	
April	4.686		2.780		250.7		4.005		3.757	
May	4.702	6.2	2.787	5.9	239.6	28.1	4.017	6.0	3.777	4.9
June	4.720		2.794		234.5		4.032		3.798	
July	4.747		2.810		236.8		4.055		3.818	
August	4.775	6.2	2.827	5.7	232.3	-8.9	4.079	6.1	3.847	7.1
September	4.801		2.841		239.0		4.101		3.862	
October	4.827		2.856		240.0		4.123		3.883	
November	4.858	7.0	2.873	6.7	248.5	16.3	4.151	7.1	3.903	6.5
December	4.883		2.888		246.8		4.172		3.925	
January 1991	4.910		2.905		254.8		4.201		3.946	
February	4.937	7.1	2.921	6.9	254.3	22.1	4.224	7.8	3.970	6.9
March	4.974		2.935		263.8		4.256		3.992	
Chng Mar(91)/Mar(90)		6.6		6.0		5.4		6.7		6.8
Chng Mar(90)/Mar(89)		7.0		7.3		7.9		6.9		6.9

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3528.1		470.3		1135.0		1922.7		2684.2	
November	3545.0	4.9	467.9	-13	1140.5	3.9	1936.6	10.6	2687.6	0.5
December	3578.7		470.3		1151.6		1956.8		2709.2	
January 1990	3615.9		500.6		1158.0		1957.3		2705.7	
February	3631.8	8.8	486.0	17.8	1168.9	7.6	1976.9	7.4	2705.6	1.4
March	3631.2 *		480.9 *		1163.9 *		1986.3 *		2697.3 *	
April	3650.3		485.3		1167.9		1997.1		2707.3	
May	3669.8	4.9	488.9	-0.8	1172.4	3.3	2008.5	7.3	2714.1	1.6
June	3689.3		490.2		1179.4		2019.7		2718.8	
July	3709.5		493.2		1184.9		2031.4		2725.4	
August	3737.4	7.1	504.6	10.0	1190.2	5.8	2042.5	7.1	2738.6	3.2
September	3752.0		501.9		1194.5		2055.6		2741.2	
October	3772.4		504.6		1199.8		2067.9		2746.0	
November	3791.3	6.5	506.6	6.2	1205.0	5.3	2079.7	7.3	2750.4	2.4
December	3813.4		511.1		1211.4		2090.8		2758.1	
January 1991	3833.8		514.3		1215.9		2103.6		2763.2	
February	3856.7	6.9	519.8	9.9	1221.4	5.3	2115.5	7.1	2770.5	2.7
March	3878.5		524.7		1225.8		2127.9		2775.2	
Chng Mar(91)/Mar(90)		6.8		9.1		5.3		7.1		2.9
Chng Mar(90)/Mar(89)		6.7		4.1		5.4		8.6		2.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	143.43		22.81		8.8		89.45		31.17	
November	144.39	-1.7	22.98	-2.5	8.5	-56.7	90.32	5.2	31.09	-18.8
December	143.90		22.63		8.9		90.95		30.32	
January 1990	147.94		23.17		10.2		91.43		33.34	
February	146.54	8.8	23.47	10.8	9.5	46.0	91.75	6.9	31.32	12.8
March	146.43 *		23.55 *		9.1 *		92.12 *		30.76 *	
April	147.24		23.58		9.3		92.43		31.23	
May	148.00	2.8	23.65	4.4	9.4	-9.4	92.79	4.8	31.56	-4.1
June	148.70		23.72		9.4		93.34		31.64	
July	149.48		23.86		9.5		93.78		31.84	
August	151.19	7.4	24.01	6.2	10.6	35.2	94.20	5.8	32.98	13.0
September	151.22		24.15		10.2		94.54		32.53	
October	151.95		24.26		9.2		94.96		32.73	
November	152.58	5.6	24.23	5.0	9.3	-27.1	95.37	5.3	32.98	7.0
December	153.60		24.41		9.5		95.88		33.31	
January 1991	154.31		24.52		9.6		96.23		33.56	
February	155.37	7.0	24.67	6.2	9.9	24.9	96.67	5.3	34.03	12.7
March	156.28		24.82		10.1		97.02		34.44	
Chng Mar(91)/Mar(90)		6.7		5.4		11.0		5.3		12.0
Chng Mar(90)/Mar(89)		5.0		6.6		-6.2		6.3		-7.5

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AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.423		1.023		0.400		1.356	
November	1.347	3.1	1.010	-2.8	0.337	22.8	1.342	11.3
December	1.273		0.931		0.342		1.376	
January 1990	1.588		1.109		0.479		1.745	
February	1.477	47.2	1.166	64.5	0.311	6.5	1.308	33.0
March	1.388 *		1.082 *		0.306 *		1.322 *	
April	1.334		1.019		0.315		1.276	
May	1.324	-35.9	1.003	-33.5	0.321	-42.6	1.243	-45.2
June	1.327		1.009		0.318		1.245	
July	1.359		1.032		0.327		1.278	
August	1.356	9.1	1.013	2.4	0.343	32.7	1.275	8.0
September	1.358		1.004		0.354		1.284	
October	1.432		1.065		0.367		1.337	
November	1.427	15.0	1.083	18.3	0.344	5.6	1.344	15.6
December	1.359		1.032		0.327		1.298	
January 1991	1.357		1.013		0.344		1.276	
February	1.360	-12.5	1.004	-19.4	0.356	11.2	1.267	-15.1
March	1.362		0.996		0.366		1.276	
Chng Mar(91)/Mar(90)		-1.9		-7.9		19.6		-3.5
Chng Mar(90)/Mar(89)		-4.0		10.5		-28.2		7.5

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	136.7		84.8		193.1		414.6		343.8	
November	136.9	-2.7	88.9	28.0	191.1	-5.4	416.9	1.7	344.8	-0.4
December	131.5		94.9		190.2		416.6		345.2	
January 1990	137.3		90.9		195.8		424.0		351.3	
February	136.2 *	4.1	87.2 *	-4.4	195.3 *	10.3	418.7 *	5.0	346.3 *	4.4
March	135.7		87.5		197.5		420.7		347.4	
April	135.5		87.6		191.9		415.0		341.8	
May	135.9	-1.4	87.9	-2.2	191.1	-9.2	414.9	-5.2	341.2	-7.4
June	136.4		88.6		191.6		416.6		342.0	
July	136.7		89.1		195.4		421.2		345.0	
August	137.2	3.8	89.3	6.4	196.1	10.6	422.6	7.4	345.3	4.5
September	137.7		89.8		197.7		425.2		346.3	
October	137.3		89.1		198.4		424.8		345.1	
November	137.8	1.7	90.5	3.6	197.7	3.1	426.0	2.7	345.2	-0.4
December	138.2		91.0		197.6		426.8		345.0	
January 1991	138.5		91.6		197.6		427.7		344.9	
February	139.4	4.2	92.0	7.1	198.8	1.6	430.2	3.6	346.1	0.7
March	139.7		91.7		199.6		431.0		346.2	
Chng Mar(91)/Mar(90)		2.9		4.8		1.1		2.4		-0.3
Chng Mar(90)/Mar(89)		-0.2		11.2		-2.3		0.9		0.4

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	371.7		124.26		35.98		34.17	
November	372.8	0.9	130.18	13.9	38.90	5.5	34.12	-10.3
December	371.1		131.72		44.39		34.96	
January 1990	374.4		117.88		38.33		35.18	
February	373.9 *	2.7	120.93 *	-25.1	36.03 *	-28.0	36.62 *	21.2
March	374.7		120.45		35.50		36.53	
April	376.2		124.41		38.62		36.59	
May	378.5	4.3	125.56	17.4	39.53	23.7	36.86	8.5
June	380.1		123.97		37.72		37.11	
July	381.8		124.42		37.96		37.28	
August	383.5	5.6	125.37	1.8	38.25	-3.9	37.53	7.5
September	385.0		125.83		38.52		37.76	
October	386.6		126.16		38.73		37.98	
November	388.1	5.0	125.81	3.2	38.56	6.0	38.20	7.8
December	389.8		126.65		39.12		38.53	
January 1991	391.2		126.87		39.43		38.74	
February	392.8	4.8	127.13	2.6	39.76	8.8	39.03	7.9
March	394.1		127.03		39.71		39.15	
Chng Mar(91)/Mar(90)		5.2		5.5		11.9		7.2
Chng Mar(90)/Mar(89)		3.8		-3.9		-6.9		7.2

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	793.2		8.25		141.8		83.1	
November	797.0	5.7	8.75	7.3	142.3	-0.2	83.2	-2.7
December	794.1		9.80		142.4		83.0	
January 1990	796.0		8.50		141.0		82.0	
February	796.8 *	1.3	8.24	-21.0	141.8	-1.4	82.3	-4.1
March	799.5		8.53 *		142.2 *		82.4 *	
April	802.6		8.66		142.4		82.3	
May	806.7	4.7	8.62	11.7	142.7	2.9	82.3	0.2
June	810.4		8.70		142.9		82.2	
July	814.5		8.65		143.3		82.3	
August	817.3	5.5	8.76	8.7	143.7	2.7	82.4	0.3
September	820.6		9.12		143.9		82.3	
October	824.4		8.22		144.2		82.3	
November	828.7	5.4	8.57	-7.0	144.4	2.1	82.2	-0.8
December	831.9		9.26		144.5		82.0	
January 1991	835.4		8.56		144.7		81.9	
February	839.3	5.6	8.44	-6.4	144.8	1.3	81.8	-1.8
March	844.6		8.62		145.0		81.7	
Chng Mar(91)/Mar(90)		5.6		1.1		2.0		-0.8
Chng Mar(90)/Mar(89)		3.8		1.0		1.1		-1.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	125.3		114.6		112.4		127.6	
November	125.8	3.9	114.5	4.4	112.2	1.7	128.0	3.2
December	126.2		115.3		112.3		128.2	
January 1990	127.7		117.2		113.6		129.2	
February	128.4	8.3	117.2	9.0	113.1	4.2	129.8	5.6
March	128.8 *		117.5 *		113.7 *		130.1	
April	129.0		117.2		114.0		130.4	
May	129.4	3.6	117.5	0.8	114.4	3.3	130.7	3.3
June	129.9		117.9		114.8		131.2	
July	130.3		118.3		115.3		131.5	
August	130.7	4.0	118.6	3.7	115.0	2.2	131.9	3.6
September	131.1		118.9		114.8		132.3	
October	131.6		119.4		116.0		132.8	
November	132.1	4.5	119.8	4.2	116.4	4.7	133.2	3.9
December	132.7		120.3		116.7		133.6	
January 1991	133.2		120.7		117.1		134.0	
February	133.6	4.7	121.0	4.2	117.3	3.6	134.5	4.0
March	134.2		121.5		117.8		135.0	
Chng Mar(91)/Mar(90)		4.2		3.4		3.6		3.7
Chng Mar(90)/Mar(89)		5.2		4.5		2.9		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	131.4		111.3		123.8		143.0		120.6	
November	131.9	3.9	111.8	1.2	124.2	3.8	143.4	4.5	120.9	2.1
December	132.1		112.0		124.1		143.8		120.7	
January 1990	133.6		112.9		127.0		145.0		120.7	
February	134.2	7.3	112.8	4.4	127.8	12.0	145.3	5.6	120.9 *	0.6
March	134.6 *		113.0 *		128.0 *		145.8 *		121.1	
April	134.8		113.3		127.8		146.3		121.4	
May	135.2	3.3	113.5	2.3	128.1	1.7	146.8	4.1	121.6	2.3
June	135.7		113.8		128.5		147.4		121.8	
July	136.1		114.0		128.9		147.9		122.1	
August	136.5	3.8	114.0	1.5	129.3	3.7	148.5	4.5	122.4	2.8
September	136.9		113.9		129.7		149.0		122.8	
October	137.4		114.3		130.1		149.6		123.1	
November	137.8	4.0	114.5	2.0	130.5	3.8	150.2	4.7	123.4	3.2
December	138.3		114.8		130.9		150.7		123.7	
January 1991	138.7		115.1		131.3		151.3		124.0	
February	139.2	4.1	115.4	3.1	131.7	3.8	151.9	4.8	124.3	2.8
March	139.8		115.7		132.2		152.6		124.5	
Chng Mar(91)/Mar(90)		3.9		2.4		3.3		4.7		2.8
Chng Mar(91)/Mar(90)		4.7		1.6		5.8		4.4		0.5

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
October	-10.44		144.4		5319		4168		-7.3
November	-10.11	-13.4	144.5	0.3	5340	4.6	4171	1.1	-9.5
December	-7.68		145.3		5361		4182		-14.4
January 1990	-9.25		145.3		5405		4183		-18.9
February	-8.48 *	17.7	144.2 *	0.1	5448	7.8	4199	2.1	-22.6
March	-9.16		144.8		5470		4204		-20.4
April	-8.56		145.0		5485		4208		-17.3
May	-8.93	3.8	144.9	0.8	5510	5.2	4216	1.8	-14.6
June	-9.14		145.3		5535		4220		-11.7
July	-8.76		145.4		5564		4230		-9.6
August	-8.81	4.9	145.6	1.6	5594	6.2	4242	2.5	-10.5
September	-8.73		145.9		5621		4249		-12.4
October	-8.67		145.9		5641		4249		-15.6
November	-8.89	7.1	145.6	0.0	5664	5.4	4252	1.4	-15.3
December	-8.26		145.4		5696		4264		-13.7
January 1991	-8.52		145.2		5720		4267		-13.9
February	-8.47	9.3	145.3	-0.9	5749	6.0	4275	1.9	-16.4
March	-8.21		145.4		5781		4283		-18.1
Chng Mar(91)/Mar(90)		10.4		0.4		5.7		1.9	
Chng Mar(90)/Mar(89)		0.6		0.1		6.5		2.1	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	98.92		165.3		8.00		192.49	
November	97.99	-10.3	170.4	-8.3	7.90	-13.2	188.50	1.8
December	94.88		171.0		7.90		192.67	
January 1990	93.00		166.7		8.26		187.96	
February	92.25	-16.7	170.4	2.9	8.50	27.9	182.55	-13.0
March	93.47 *		173.2		8.55 *		183.55 *	
April	94.42		165.8		8.54		175.91	
May	94.16	4.0	169.3	-2.1	8.29	-4.8	185.04	-1.3
June	92.86		172.5		8.17		191.31	
July	91.77		175.2		8.21		193.36	
August	91.52	-10.1	177.3	20.7	8.26	-2.8	194.49	24.0
September	90.76		179.6		8.35		194.89	
October	90.24		175.2		8.41		188.76	
November	90.08	-4.0	176.7	-3.6	8.47	9.9	189.03	-12.3
December	90.93		175.3		8.53		186.21	
January 1991	89.86		177.1		8.56		187.46	
February	90.24	-0.6	175.0	-0.4	8.51	2.5	186.33	-2.9
March	90.72		174.6		8.50		186.12	
Chng Mar(91)/Mar(90)		-2.9		0.8		-0.6		1.4
Chng Mar(90)/Mar(89)		-3.6		-0.9		-8.7		11.5

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	292.5		788.1		3181.4		8.84		7.62	
November	293.3	4.0	789.4	5.2	3200.8	7.3	8.55	-19.1	7.49	-9.4
December	293.8		794.8		3221.7		8.45		7.42	
January 1990	295.6		794.7		3232.0		8.23		7.55	
February	298.2	8.1	801.3	4.8	3257.0	6.7	8.24	-16.2	7.70	11.1
March	303.1 *		804.3 *		3271.6 *		8.25 *		7.88 *	
April	304.5		806.8		3285.7		8.23		7.78	
May	305.7	9.4	809.2	4.7	3303.2	6.3	8.15	-4.5	7.75	-0.3
June	307.0		812.0		3321.7		8.06		7.58	
July	308.3		814.8		3335.4		8.01		7.53	
August	309.6	5.1	818.2	4.3	3351.8	6.0	8.04	-5.4	7.55	-6.9
September	310.8		820.9		3368.5		8.05		7.62	
October	312.1		823.6		3383.4		8.11		7.75	
November	313.6	5.3	827.0	4.5	3400.4	5.8	8.27	14.1	7.83	16.8
December	315.1		830.3		3415.6		8.53		8.02	
January 1991	316.7		833.9		3432.3		8.82		8.16	
February	318.3	6.2	836.8	5.1	3448.9	5.8	8.96	34.0	8.24	20.2
March	320.0		841.0		3463.7		9.02		8.31	
Chng Mar(91)/Mar(90)		5.6		4.6		5.9		9.3		5.5
Chng Mar(90)/Mar(89)		4.7		2.4		6.0		-16.2		-11.0

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	8.92		7.22		8.53		8.60		10.50	
November	8.89	-3.5	7.14	1.1	8.35	-11.5	8.39	-12.6	10.50	-5.9
December	8.86		6.98		8.29		8.32		10.50	
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.22	14.5	7.22	6.3	8.14	-7.9	8.22	-9.0	10.00	-16.5
March	9.38 *		7.35 *		8.32 *		8.40 *		10.00 *	
April	9.39		7.36		8.30		8.38		10.00	
May	9.25	3.1	7.27	3.2	8.21	-0.5	8.29	2.6	10.00	-1.5
June	9.16		7.21		8.12		8.21		10.00	
July	9.21		7.24		8.06		8.15		10.00	
August	9.25	-0.1	7.30	0.9	8.05	-6.5	8.13	-5.8	10.00	0.0
September	9.33		7.35		8.11		8.23		10.00	
October	9.44		7.43		8.16		8.27		10.00	
November	9.49	9.8	7.48	10.0	8.24	11.2	8.35	11.4	10.00	0.0
December	9.52		7.51		8.47		8.56		10.00	
January 1991	9.61		7.59		8.73		8.82		10.33	
February	9.60	4.7	7.57	5.3	8.91	31.5	8.99	30.1	10.50	20.3
March	9.57		7.55		8.99		9.08		10.59	
Chng Mar(91)/Mar(90)		2.0		2.7		8.1		8.1		5.9
Chng Mar(90)/Mar(89)		-4.3		-3.2		-16.4		-16.7		-13.0

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